



MOEX: LSNG/LSNGP

Credit rating:

Moody's Ba2 (stable outlook)

Confirmed in April 2016

Press Release

03.11.2016

Lenenergo released its financial statements for 9M 2016 prepared in accordance with RAS.

Revenue of PJSC Lenenergo for 9M 2016 increased by 38% as compared to the similar period of the last year and amounted to RUB 41,966 mln. EBITDA grew by 263% and amounted to RUB 15,096 mln. Net profit for the reporting period amounted to RUB 4,372 mln (for 9M 2015 the Company got the loss).

In RUB mln, unless otherwise stated	9M 2016	9M 2015	Change
Operating indicators			
Productive supply of electricity, mln kWh	20,925	20,760	0.8%
Electricity losses, %	11.16	11.55	-0.39 p.p.
Connected capacity*, Mega Watts	372	239	55.6%
Revenue and financial result			
Revenue from products sale, including:	41,966	30,419	38.0%
- From electricity transmission services	38,802	28,214	37.5%
- From technological connection services	2,922	2,078	40.7%
- From other industrial activities	242	127	90.6%
Prime cost	35,496	30,438	16.6%
Gross profit (loss)	6,470	-19	-
Profit (loss) before tax	6,364	-6,285	-
Net profit (loss)	4,372	-5,410	-
EBITDA**	15,096	4,157	263.2%
EBITDA margin, %	36.0%	13.7%	22.3 p.p.
Investments			
Capital investments	6,612	4,564	44.9%
	30.09.2016	31.12.2015	Change
Credit portfolio and debt position			
Loans and credits ***	30,278	38,456	-21.3%
Net debt ****	12,434	14,039	-11.4%
Net debt/EBITDA (for 4 quarters), x	0.68	1.39	-

Notices:

*For 9M 2016 the data are provisional.

**EBITDA is reflected net of balance of provision for impairment of debt financial investments. EBITDA = Net profit + Profit tax + Depreciation + Interest payable – Balance of provision for impairment of debt financial investments.

*** Indebtedness sum on credits and loans is reflected with due regard to interest (the sum of lines 1410 and 1510 of the balance sheet)

****Net debt is calculated as the sum of the credits and loans net of money and short-term financial investments

Kirill Martynov, First Deputy Director General for economics and finance of PJSC Lenenergo, commented upon the results for 9M 2016: "In the reporting period we continued implementation of the anti-crisis measures that

stimulate the Company financial rehabilitation, what has resulted in the significant improvement of our key financial indicators. We do our best to preserve the current trends and based on the year results we expect to get a positive financial result".

Revenue and financial result

Revenue from sales of products based on the work results for 9 months of 2016 amounted to RUB 41,966 mln, what is higher by RUB 11,547 mln (38.0%) than the similar indicator for 9M 2015.

- **Revenue growth from services rendering for electricity transmission** is preconditioned by the tariff rates bringing for Saint Petersburg from 01 December 2015 in correspondence with the requirement of Federal Antimonopoly Service of Russia, that has made it possible to decrease significantly the shortfalls in income of PJSC Lenenergo.
- **Revenue growth from other activities** is preconditioned primarily by the change of the Company accounting policy as to the transfer of the incomes from lease into the revenue.

Prime cost of the rendered services (with due regard to depreciation) based on the results of 9M 2016 has increased by RUB 5,058 mln (17 %) as compared to the similar period of 2015, due to the growth of the uncontrolled expenses by RUB 4,256 mln (16%) - purchased power for losses compensation, services of the distribution grid companies and PJSC UES FGC. The Company controllable expenses as compared to 9M 2015 have grown by RUB 802 mln. (18%).

Gross profit of PJSC Lenenergo for 9M 2016 amounted to RUB 6,470 mln, what is higher than the indicator of the similar period of the last year by RUB 6,489 mln due to the revenue growth from the electricity transmission services.

Net profit of the Company based on the results of 9M 2016 has amounted to RUB 4,372 mln. As compared to the similar period of 2015, the financial result has improved by RUB 9,782 mln (for 9M 2015 PJSC Lenenergo got the net loss in the amount of RUB 5,410 mln.).

Beside the revenue increase on the regulated activity types, the growth by RUB 6,160 mln of the balance of other incomes and expenses due to increase of the interest receivable sum and decrease of the interest payable sum, balance decrease on the valuation provisions, growth of other incomes, has influenced significantly on the positive dynamics of the financial result.

EBITDA

EBITDA for 9M 2016 has amounted to RUB 15,096 mln and has grown by RUB 10,940 mln (263%) as compared to the similar period of 2015. Growth of the Company gross profit and balance of other incomes and expenses has influenced primarily on the growth of EBITDA indicator.

EBITDA calculation, RUB mln.

EBITDA	15,096
Depreciation of fixed assets and intangibles assets	7,384
Interest payable	1,459
Balance of provision for impairment of debt financial investments	-111
Profit tax	1,992
Net profit	4,372

EBITDA margin as compared to the similar indicator for 9M 2015 has grown by 22.3 percentage points and has amounted to 36.0%. The significant positive dynamics of the indicator is preconditioned by the higher growth tempos of the Company incomes in relation to expenses.

Credit portfolio and debt position

Credits and loans as at 30.09.2016 decreased by RUB 8,178 mln (-21%) in relation to 31.12.2015 and have amounted to RUB 30,278 mln. The rate on the attracted credits for 9M 2016 as compared to the similar period of the last year decreased by 1.01 p.p. and amounted to 9.28%.

Net debt as at 30.09.2016 amounts to RUB 12,434 mln, what is lower by 11% than the similar indicator as at the end of 2015.

Net debt/EBITDA decreased to 0.68x (as at 31.12.2015 the ratio was 1.39x) for 9M 2016.

The debt position improvement to the level of 2015 occurred primarily due to the indebtedness repayment on the credits and loans with the funds got from the bonds sale of the federal loan in the amount of RUB 17,025 mln, paid to the charter capital of PJSC Lenenergo in payment for the additional issue of the ordinary shares. The money balance from the bonds sale of the federal loan amounts to RUB 14,975 mln and renders the material impact on decrease of the net debt sum. The intended use of these funds is investment expenses funding for the accumulated liabilities fulfillment for technological connection of the applicants.

Investments

Investment program fulfillment	9M 2016	9M 2015	Change
Development, RUB mln. without VAT	6,612	4,564	44.9%
Fixed assets introduction, RUB mln	4,205	2,628	60.0%
Capacity introduction, MVA	173	171	1.2%
Capacity introduction, km	440	291	51.2%

The volume of capital investments for 9M 2016 amounted to RUB 6,612 mln, what is higher by RUB 2,048 mln or by 45 % of the indicator for 9M 2015 (RUB 4,564 mln.). The development growth is preconditioned by the preliminary arrangements carrying out within the framework of implementation of the new 5-year investment program of PJSC Lenenergo approved by the Department of Energy on 28.12.2015. The significant introduction of capacity is planned in QIV 2016.

For reference:

PJSC LENENERGO is the largest distribution grid company (an operator of 0.4-110 kV grids) that services the territory of Saint Petersburg and Leningrad region; it forms a part of group PJSC Rosseti. Financial statements of PJSC Lenenergo and materials for shareholders and investors are available on the Company's website at http://www.lenenergo.ru/shareholders/open_info/

Liability limitation

These materials can contain statements relating to the future events and expectations which represent prospect appraisals. The information users shall not rely fully on the given appraisals and outlooks because they are one of many variants of the events progression and the actual results of the Company activities in the future may differ from the projected results for many reasons.